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**DELNITE MINES,
LIMITED**

MAY 8 1962

Annual Report

For the Fiscal Year Ended December 31st, 1961

Delnite Mines, Limited

Incorporated under the Laws of the Province of Ontario

AUTHORIZED CAPITAL \$2,400,000

OFFICERS

| | | |
|--|-----------|---------------|
| WELLES V. MOOT, <i>President and Managing Director</i> | - | BUFFALO, N.Y. |
| KENNETH C. GRAY, <i>Vice-President</i> | - - - - - | TORONTO, ONT. |
| WHITWORTH FERGUSON, <i>Vice-President</i> | - - - - - | BUFFALO, N.Y. |
| WILLIAM S. WALTON, <i>Secretary-Treasurer</i> | - - - - - | TORONTO, ONT. |
| GEORGE A. VARY, <i>Manager</i> | - - - - - | TIMMINS, ONT. |

DIRECTORS

| | | |
|---------------------|-----------|---------------|
| WELLES V. MOOT | - - - - - | BUFFALO, N.Y. |
| KENNETH C. GRAY | - - - - - | TORONTO, ONT. |
| WHITWORTH FERGUSON | - - - - - | BUFFALO, N.Y. |
| WILLIAM L. MARCY | - - - - - | BUFFALO, N.Y. |
| WILLIAM S. WALTON, | - - - - - | TORONTO, ONT. |
| ALEX F. OSBORN | - - - - - | BUFFALO, N.Y. |
| FREDERICK R. BURTON | - - - - - | TORONTO, ONT. |

TRANSFER AGENTS

CHARTERED TRUST COMPANY
Toronto, Ontario

MANUFACTURERS AND TRADERS TRUST COMPANY
Buffalo, N.Y.

HEAD OFFICE

(on Mine property, Deloro Township)
TIMMINS P.O., ONT.

AUDITORS

MCDONALD, CURRIE & Co.
Chartered Accountants
Toronto, Ontario

GENERAL COUNSEL AND SOLICITORS

HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON & PEPALL
Toronto, Ontario

ANNUAL GENERAL MEETING

JUNE 19, 1962, 11 o'clock A.M. (DAYLIGHT SAVING TIME)
MINE OFFICE, DELORO TOWNSHIP, COCHRANE DISTRICT, ONTARIO

Report of the Directors

Financial

Summary

1961

DELNITE MINES, LIMITED

ASSETS (As of 12/31/61)

| | |
|--|--------------------|
| Cash, Bullion, Receivables, Prepaid Insurance, et al. | \$1,032,399 |
| Stores and Materials at Cost | 160,174 |
| Marketable bonds and shares — at Cost (quoted market value \$166,430) | 168,708 |
| | <u>\$1,361,281</u> |

FIXED ASSETS

| | | |
|--|-------------------|---------------------|
| Buildings, plant and equipment — at Cost | \$1,298,824 | |
| Accumulated depreciation | 1,141,753 | |
| | <u>\$ 157,071</u> | |
| Mining properties — at Cost | 1,100,715 | 1,257,786 |
| TOTAL | | <u>\$2,619,067*</u> |

CURRENT LIABILITIES

| | |
|--|-------------------|
| Wages, Salaries, Accounts Payable, Accrued Liabilities and Provision for Ontario Mining Tax | <u>\$ 151,690</u> |
| Net Current Assets plus Cost of Stores and Materials, per Share Outstanding | 40.6¢ |

* Deferred Expenditure and Outside Exploration Costs, etc., omitted.

The improvement in earnings which took place in 1960 continued to be most satisfactory during 1961, and as shown by the audited Statement of Profit and Loss for the year ended December 31st, 1961, the net profit for the year increased to \$200,520 as compared to \$133,953 for the year 1960. As set forth in the Manager's Report, this favorable result was largely accounted for by a higher grade of ore and higher recovery per ton and by a higher average price per ounce of gold produced. There was very little change in the tons milled, but the recovery per ton rose from \$8.58 to \$9.26, and the average price per ounce increased from \$34.02 to \$35.47. This change in price resulted from the elimination of the premium on the Canadian dollar and the substitution of a discount in place of the premium. At the end of December, 1961, the price per ounce of gold had risen to over \$36.00. If present exchange rates continue, this should bring substantial increased benefits for Canadian exports generally and for the price of gold in particular.

Due to the character of the ore deposits at Delnite, it is very difficult to maintain an even grade of ore going to the mill, and periods of lower grade than mine average seem to be inevitable. It is our hope and expectation that for 1962 the recovery per ton will be even a little higher than in 1961.

Our Mine Manager, Mr. Vary, reports that a careful survey indicates that the present known ore bodies will probably produce enough ore to keep the mine in profitable operation for something

Report of the Directors continued

over two years from January 1st, 1962, and we hope that we may be able to develop additional ore bodies which will continue mining operations for a further period of time.

In an effort to find such additional ore, we are driving to the west on the 4975-foot level and are now out about 1,250 feet and have recently found some indications of gold values. The geology seems favorable, but as of this date we have not enough information to form any opinion as to the chances of developing a new ore body in this area. We plan to extend this drive for an additional distance of about 750 feet, and it is possible that by the time of the Annual Meeting in June we may have sufficient information from diamond drilling to give us a clearer picture of ore possibilities in this area.

Because this area is nearly a mile below the surface and a quarter to a half mile west of the shaft, it will require higher gold values than our present ore grade to make mining profitable, and it will also be necessary to find a substantial quantity of profitable ore to justify the large cost of mining and development. Further information will be available at the time of the Annual Meeting.

Attached hereto are the report of the Manager for the fiscal year ending December 31st, 1961, and the audited financial statement for that year.

Your directors are most appreciative of the very diligent and successful efforts of our Manager, Mr. George A. Vary, during the past year, and we wish to express to him and to the staff and other employees our gratitude for the excellent results accomplished.

On behalf of the Board,

“WELLES V. MOOT,”

President and Managing Director.

Dated: March 22nd, 1962.

Manager's Report

March 2, 1962.

The President and Directors,
Delnite Mines, Limited.

Gentlemen:

The following report covering operations for the fiscal year ending December 31, 1961, is submitted:

PRODUCTION:

| | |
|--|--------------|
| Ore Treated | 183,314 Tons |
| Gross Value | \$1,824,358 |
| Bullion Recovered: | |
| Gold — 47,780.741 ozs. @ \$35.47 | 1,694,640 |
| Silver — 3,584.84 ozs. @ .94 | 3,377 |
| Total Value | 1,698,017 |
| Value per Ton | 9.95 |
| Recovery per Ton | 9.26 |
| Recovery Percent | 93.07 |

Production Since Milling Commenced June 1, 1937

| Fiscal Period Ending | Tons Milled | Value Per Ton Milled | Gross Value | Recovery Per Ton | Recovery Value | Average Price Per Ounce |
|-------------------------|----------------|----------------------------|----------------|---------------------|-------------------|----------------------------|
| ‡ Mar. 31, 1938 | 57,689 | \$ 7.01 | \$ 404,484 | \$ 6.41 | \$ 369,679 | \$35.17 |
| Mar. 31, 1939 | 91,749 | 8.56 | 785,064 | 7.81 | 716,521 | 35.21 |
| † Mar. 31, 1940 | 114,922 | 7.78 | 894,641 | 7.12 | 818,313 | 37.04 |
| Dec. 31, 1940 | 99,342 | 7.22 | 716,875 | 6.70 | 665,391 | 38.50 |
| Dec. 31, 1941 | 166,596 | 7.65 | 1,274,895 | 7.10 | 1,183,053 | 38.50 |
| Dec. 31, 1942 | 172,727 | 7.53 | 1,299,701 | 7.07 | 1,220,663 | 38.50 |
| Dec. 31, 1943 | 125,887 | 7.15 | 900,065 | 6.51 | 819,672 | 38.50 |
| Dec. 31, 1944 | 93,112 | 6.57 | 612,086 | 6.12 | 570,247 | 38.50 |
| Dec. 31, 1945 | 66,120 | 5.84 | 386,414 | 5.49 | 363,063 | 38.50 |
| Dec. 31, 1946 | 92,731 | 7.09 | 657,265 | 6.79 | 629,375 | 36.58 |
| Dec. 31, 1947 | 101,927 | 10.18 | 1,037,861 | 9.81 | 999,725 | 35.00 |
| Dec. 31, 1948 | 124,835 | 9.94 | 1,241,401 | 9.49 | 1,184,625 | 35.00 |
| Dec. 31, 1949 | 149,087 | 9.88 | 1,473,370 | 9.46 | 1,410,083 | 36.24 |
| Dec. 31, 1950 | 153,165 | 10.20 | 1,562,097 | 9.75 | 1,492,946 | 37.90 |
| * Dec. 31, 1951 | 139,278 | 11.16 | 1,554,592 | 10.73 | 1,493,931 | 36.89 |
| Dec. 31, 1952 | 158,794 | 11.82 | 1,877,138 | 11.35 | 1,802,159 | 34.17 |
| * Dec. 31, 1953 | 106,027 | 10.47 | 1,109,823 | 10.03 | 1,063,087 | 34.51 |
| * Dec. 31, 1954 | 144,431 | 9.45 | 1,364,982 | 9.00 | 1,299,541 | 34.09 |
| Dec. 31, 1955 | 158,710 | 8.90 | 1,411,684 | 8.35 | 1,325,120 | 34.55 |
| Dec. 31, 1956 | 166,694 | 7.85 | 1,308,751 | 7.37 | 1,228,773 | 34.43 |
| Dec. 31, 1957 | 155,826 | 8.24 | 1,284,013 | 7.50 | 1,168,235 | 33.61 |
| Dec. 31, 1958 | 181,842 | 9.06 | 1,646,731 | 8.40 | 1,526,660 | 33.93 |
| Dec. 31, 1959 | 182,746 | 8.71 | 1,591,629 | 8.08 | 1,476,100 | 33.53 |
| Dec. 31, 1960 | 184,425 | 9.34 | 1,723,235 | 8.58 | 1,582,493 | 34.02 |
| Dec. 31, 1961 | 183,314 | 9.95 | 1,824,358 | 9.26 | 1,698,017 | 35.47 |

‡ For Ten Months.

† For Nine Months.

* Due to strikes, there was no production for one month of 1951, four months of 1953 and one and one-half months of 1954.

Tons of Ore and Waste Hoisted

| | Ore | Waste | Total |
|--|---------|-------|---------|
| No. 2 Shaft | 183,156 | — | 183,156 |
| No. 3 Shaft | 182,926 | 3,860 | 186,786 |
| 99,036 Tons of backfill were placed in Stopes (80,084 Tons Purchased). | | | |

Manager's Report continued

BROKEN ORE RESERVES:

Broken ore reserves are estimated at 12,891 tons.

DEVELOPMENT AND EXPLORATION:

| | | For Year Ending Dec. 31st | | Total |
|----------------------------|----------|---------------------------|--------|---------|
| | | 1961 | 1960 | To Date |
| Drifts | Feet | 1,019 | 2,560 | 90,238 |
| Crosscuts | Feet | 1,115 | 356 | 45,570 |
| Sub-Level Drifts | Feet | 1,491 | 1,497 | 19,764 |
| Raises | Feet | 1,553 | 1,765 | 40,269 |
| Shaft Sinking | Feet | — | — | 5,928 |
| Stations | Feet | — | — | 1,651 |
| Ore and Waste Passes | Feet | — | — | 14,527 |
| | | 5,178 | 6,178 | 217,947 |
| Pump Stations | Cu. Feet | — | — | 3,778 |
| Sumps | Cu. Feet | — | — | 50,754 |
| Diamond Drilling | Feet | 17,414 | 15,530 | 422,101 |

COSTS:

Operating Costs (before Cost-Aid):

| | Total Costs | Cost Per Ton Milled | | Cost Per Fine Oz. Gold Produced Year Ending December 31st 1961 |
|--|--------------------|--------------------------------------|--------------------------------------|---|
| | | Year Ending December 31st 1961 | Year Ending December 31st 1960 | |
| Development and Exploration | \$ 79,009 | \$.43 | \$.61 | \$ 1.65 |
| Mining | 1,185,179 | 6.47 | 5.85 | 24.81 |
| Milling | 302,726 | 1.65 | 1.70 | 6.34 |
| General Mine Charges after deducting Sundry Revenue | 162,497 | .89 | .79 | 3.40 |
| Administrative Expense (Partly Mine) | 52,473 | .29 | .28 | 1.10 |
| Bullion Marketing Expense, including Mint Handling and Refining Charges | 12,142 | .06 | .06 | .25 |
| | <u>\$1,794,026</u> | <u>\$ 9.79</u> | <u>\$ 9.29</u> | <u>\$ 37.55</u> |

Other Costs:

| | | | | |
|---|--------------------|-----------------|----------------|-----------------|
| Depreciation | \$ 17,452 | \$.09 | \$.09 | \$.36 |
| Shaft Sinking and Development Write-Off | 42,145 | .23 | .32 | .88 |
| Provision for Ontario Mining Taxes | 7,800 | .04 | .05 | .16 |
| Outside Exploration | 3,172 | .02 | .02 | .07 |
| | <u>\$ 70,569</u> | <u>\$.38</u> | <u>\$.48</u> | <u>\$ 1.47</u> |
| Total Costs | <u>\$1,864,595</u> | <u>\$ 10.17</u> | <u>\$ 9.77</u> | <u>\$ 39.02</u> |

ADDITIONS TO PLANT BUILDINGS AND EQUIPMENT:

There were no additions to plant buildings.

Additions to equipment cost \$28,021. The major items were one 3-ton skip bail, five scraper hoists, 1 used International TD14A tractor, 2 used Joy mucking machines, 1 used 3½-ton Ford truck.

DEVELOPMENT:

Development work in the main ore zone was concentrated on exploring and developing the remaining veins on the three bottom levels. Some work remains to be done to the east on the 5250 level where 115 feet of narrow average grade ore was developed during the year.

In all, 1,019 feet of drifting developed 386 feet of average grade ore.

Sub-drifting from stopes developed an additional 1,061 feet of ore.

An exploration drive to investigate the south ore zone at depth was started on the 4975 level in September. By the year end the heading had been advanced 740 feet to the southwest. The diamond drill information obtained at 200-foot intervals has established the continuity of the south ore zone andesite. No values of significance have been encountered to date.

MINING:

Stoping was done on eight levels, all of which were in the #3 internal shaft area.

Due to greater depth of mining and concentration of working places, general mine productivity dropped slightly during the year.

The grade of ore was up somewhat over that mined in 1960. This was due to a greater percentage of ore from the bottom levels.

Heavy ground conditions at depth and the unavoidable concentration of working places on the three bottom levels continues to make mining more difficult and costly.

In December, following a short period of testing, an ammonium nitrate fuel oil blasting agent was adopted to replace conventional high explosive for all primary blasting. The economies effected promise to be substantial and should help offset other rising costs.

MILLING:

The mill operated continuously throughout the year at an average daily rate of 502 tons compared with 504 tons for the operating period in 1960.

The changes made as a result of the test work conducted by the Department of Mines and Technical Surveys in Ottawa in 1960 gave an improvement in extraction of over one percent in 1961.

GENERAL:

At the request of and for the account of Aunor Gold Mines, Limited, Delnite drove into Aunor ground 309 feet on the 3250 level, 1,131 feet on the 3875 level and 830 feet on the 4975 level.

The second half of the two-year contract with the United Steelworkers of America resulted in a wage increase of 3 cents an hour on July 7, 1961.

I wish to take this opportunity to express my appreciation for your guidance and co-operation and to thank the supervisors and their staffs for their continued endeavour and loyalty.

Respectfully submitted,

"G. A. VARY,"

Manager.

Balance Sheet as at

ASSETS

CURRENT ASSETS:

| | | |
|---|------------|-------------|
| Cash | \$ 208,136 | |
| Short-term investments — at cost | 500,000 | |
| Bullion | 146,609 | |
| Marketable bonds and shares — at cost (quoted market value \$166,430) | 168,708 | |
| Accounts and interest receivable | 15,012 | |
| Receivable under The Emergency Gold Mining Assistance Act | 152,309 | |
| Prepaid insurance and other expenses | 10,333 | \$1,201,107 |

STORES AND MATERIALS — at cost 160,174

FIXED ASSETS:

| | | |
|--|-----------|-----------|
| Buildings, plant and equipment — at cost | 1,298,824 | |
| Accumulated depreciation | 1,141,753 | |
| | 157,071 | |
| Mining properties — at cost | 1,100,715 | 1,257,786 |

DEFERRED EXPENDITURE:

| | | |
|--|---------|--------------------|
| Shaft sinking and development costs | 451,114 | |
| Amounts written off | 343,332 | |
| | 107,782 | |
| Outside exploration costs and shares of mining companies — at cost, less amounts written off | 2 | 107,784 |
| | | <u>\$2,726,851</u> |

AUDITORS' REPORT

We have examined the balance sheet of Delnite Mines, Limited as at December 31, 1961 and the statements of profit and loss and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto,
February 23, 1962.

December 31, 1961

LIABILITIES

CURRENT LIABILITIES:

| | | |
|--|-----------|------------|
| Salaries and wages | \$ 26,690 | |
| Accounts payable and accrued liabilities | 117,200 | |
| Provision for Ontario mining tax | 7,800 | \$ 151,690 |

CAPITAL STOCK AND SURPLUS:

| | | |
|---|--------------------|-----------|
| Capital stock (Note) — | | |
| Authorized — | | |
| 3,000,000 shares of a par value of \$.80 each | <u>\$2,400,000</u> | |
| Issued and fully paid — | | |
| 2,978,767 shares | 2,383,013 | |
| Discount thereon (Net) | <u>1,151,956</u> | |
| | 1,231,057 | |
| Earned surplus | <u>1,344,104</u> | 2,575,161 |

Approved on behalf of the Board:

“WELLES V. MOOT,” Director.

“W. S. WALTON,” Director.

\$2,726,851

TO THE SHAREHOLDERS

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of the company as at December 31, 1961 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,
Chartered Accountants.

Statement of Earned Surplus

FOR THE YEAR ENDED DECEMBER 31, 1961

| | |
|--|--------------------|
| BALANCE — DECEMBER 31, 1960 | \$1,135,633 |
| Net profit for the year | 200,520 |
| Gain on disposal of fixed assets | 4,600 |
| Overprovision of prior year's mining taxes | 3,351 |
| BALANCE — DECEMBER 31, 1961 | <u>\$1,344,104</u> |

Statement of Profit and Loss

FOR THE YEAR ENDED DECEMBER 31, 1961

| | |
|--|-------------------|
| BULLION PRODUCTION | \$1,698,016 |
| EXPENDITURE: | |
| Development, mining, milling, marketing, maintenance, general and administrative (including directors' fees \$4,000) | \$1,794,026 |
| Depreciation of buildings, plant and equipment | 17,452 |
| Shaft sinking and development costs written off | 42,145 |
| | <u>1,853,623</u> |
| LESS: Amount recoverable under The Emergency Gold Mining Assistance Act | 345,400 |
| | <u>1,508,223</u> |
| PROFIT BEFORE THE FOLLOWING ITEMS | 189,793 |
| OUTSIDE MINING EXPLORATION COSTS WRITTEN OFF | 3,171 |
| | <u>186,622</u> |
| OTHER INCOME: | |
| Interest and dividends | 21,698 |
| | <u>208,320</u> |
| PROVISION FOR ONTARIO MINING TAX | 7,800 |
| NET PROFIT FOR THE YEAR | <u>\$ 200,520</u> |

**BREAKDOWN OF SUPPLIES AND SERVICES
PURCHASED DURING 1961**

| | |
|--|-------------------|
| Air Operated Equipment and Parts | \$ 60,609 |
| Backfill | 47,906 |
| Building Products | 6,365 |
| Coal | 5,086 |
| Diamond Drilling | 23,054 |
| Drilling Bits, Steel, Etc. | 72,794 |
| Electrical Equipment and Supplies | 7,121 |
| Explosives | 60,997 |
| Freight and Express, Rail and Truck Transport | 11,031 |
| Insurance | 6,815 |
| Iron and Steel Products | 119,123 |
| Lumber, Timber and Preservatives | 89,203 |
| Mine Locomotives, Car Parts, Batteries and Charging Equipment | 5,751 |
| Mine and Mill Tools, and Machinery | 32,960 |
| Miscellaneous | 31,776 |
| Petroleum Products | 11,389 |
| Power | 86,921 |
| Reagents, Acids, Chemicals and Refractories | 54,875 |
| Rubber Products | 8,713 |
| Safety Equipment and Supplies | 11,845 |
| Trucks and Other Vehicles | 11,233 |
| | <u>\$ 765,567</u> |

PRINCIPAL CANADIAN CITIES AND TOWNS WHICH BENEFIT:

Belleville, Brantford, Burlington, Downsview, Galt, Haileybury, Hamilton, Jackson's Point, Joliette, Kirkland Lake, Kitchener, Lachine, Leaside, London, Matheson, Montreal, New Liskeard, Noranda, North Bay, Oakville, Orillia, Ottawa, Owen Sound, Peterborough, Rexdale, St. Catharines, St. Johns, St. Laurent, Sault Ste. Marie, Schumacher, Sorel, South Porcupine, Sudbury, Swastika, Timmins, Toronto, Ville La Salle, Waterloo.

NUMBER OF COMPANIES AND INDIVIDUALS (WITH GEOGRAPHICAL LOCATION) FROM WHOM SUPPLIES OR SERVICES PURCHASED:

| | |
|---------------|-----|
| Ontario | 178 |
| Quebec | 14 |

